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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Financing of the United Nations Peacekeeping Force in Cyprus

Financial performance report for the period from 1 July 2003 to 30 June 2004 and proposed budget for the period from 1 July 2005 to 30 June 2006 of the United Nations Peacekeeping Force in Cyprus

Report of the Advisory Committee on Administrative and Budgetary Questions

Appropriation for 2003/04	$43,798,800
Expenditure for 2003/04	$45,464,200
Appropriation for 2004/05	$47,240,400
Proposal submitted by the Secretary-General for 2005/06	$44,346,600
Recommendation of the Advisory Committee for 2005/06	$44,194,000

I. Introduction

1. The recommendations of the Advisory Committee on Administrative and Budgetary Questions contained in paragraph 27 of the present report would entail a reduction of $152,600 in the proposed budget for the United Nations Peacekeeping Force in Cyprus (UNFICYP) for the period from 1 July 2005 to 30 June 2006 (see A/59/656 and Add.1). The Committee also makes a number of observations and recommendations with regard to the administration and management of the Force and opportunities for further savings.

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2. The general report of the Advisory Committee on United Nations peacekeeping operations (A/59/736) contains its views and recommendations on a number of cross-cutting issues. In the present report, the Committee deals with resources and other items that relate specifically to UNFICYP.

3. UNFICYP was established by the Security Council in its resolution 186 (1964) of 4 March 1964. From its inception until 15 June 1993, the costs of the Force were met by the troop-Governments, the Government of Cyprus and voluntary contributions. In accordance with General Assembly resolution 47/236 of 14 September 1993, the costs of the Force since 16 June 1993 that were not covered by voluntary contributions have been assessed on Member States. Voluntary contributions equal to one third of the annual cost of UNFICYP have been made on a continuing basis by the Government of Cyprus, while the Government of Greece has been making annual contributions of $6.5 million.

4. The documents used by the Advisory Committee in its consideration of the financing of UNFICYP are listed at the end of the present report.

II. Financial performance report for the period from 1 July 2003 to 30 June 2004

5. On the recommendation of the Advisory Committee, the General Assembly, in its resolution 57/332 of 18 June 2003, appropriated to the Special Account for UNFICYP an amount of $45,772,600 for the period from 1 July 2003 to 30 June 2004, inclusive of $43,798,800 for the maintenance of the Force, $1,511,400 for the support account for peacekeeping operations and $462,400 for the United Nations Logistics Base at Brindisi, Italy. One third of the net appropriation, equivalent to $14,567,500, was funded through voluntary contributions from the Government of Cyprus and the amount of $6.5 million was funded by the Government of Greece. Expenditures for the period totalled $45,464,200 gross ($43,598,900 net).

6. In a letter dated 30 March 2004 addressed to the Chairman of the Advisory Committee by the Controller (see annex to the present report), the Committee was informed that additional requirements of $1,600,000 would arise for the 2003/04 financial period owing to additional requirements relating to the increase of the civilian police component in accordance with Security Council resolution 1486 (2003); the increase in the post adjustment multiplier for international staff to 25.8 in July, 27.6 in August and 31.4 in November 2003, as well as the continuing depreciation of the United States dollar against the Cyprus pound. The additional $1.6 million represented net additional requirements, taking into account projected savings and economy measures implemented by UNFICYP. The Committee was informed at that time that the projected overexpenditure would be reported in the budget performance report for UNFICYP for the 2003/04 period, at which time an additional appropriation would be sought from the General Assembly.

7. The actual cost overrun for the 2003/04 period amounts to $1,665,400, reflecting higher requirements of $1,765,500 under civilian personnel and $90,900 under civilian police and savings of $119,500 and $71,500 under military contingents and operational costs, respectively. The additional requirements under civilian personnel are attributable to the appreciation of the Cyprus pound, four successive increases in the post adjustment multiplier factor for international staff

and the revised salary scales for international and national staff. The increased costs under civilian police is due to the increase of the UNFICYP civilian police strength authorized by the Security Council in its resolution 1486 (2003), the subsequent deployment of 12 additional police officers during the reporting period and the increase in the daily subsistence allowance rate from $12 to $25, with effect from April 2004. The unspent balance under military contingents is attributable to favourable rotation and travel costs as well as lower-than-budgeted actual troop strength. Lower-than-budgeted expenditure under official travel, communication, information technology and special equipment accounts for the unencumbered balance under operational costs.

8. The comments of the Advisory Committee on the information in the performance report on individual objects of expenditure can be found, where relevant, in the discussion of the proposed budget for the period from 1 July 2005 to 30 June 2006 in section IV below.

III. Information on performance for the current period

9. This year, for a number of reasons, it was not possible for the Secretariat to consistently provide the most up-to-date information on the following issues in time for inclusion in the reports of the individual peacekeeping operations: (a) expenditure for the current period; (b) current incumbency; (c) status of reimbursement for troop/formed police costs, contingent-owned equipment and death and disability; (d) cash position of the missions; and (e) status of contributions. This information is being supplied in consolidated tables, which are annexed to the general report of the Advisory Committee on peacekeeping operations (A/59/736).

10. The Advisory Committee draws attention to the note issued by the Secretary-General on 1 March 2005 on financing arrangements for UNFICYP for the period from 1 July 2004 to 30 June 2005 (A/59/718), which contains a request for a revised appropriation to provide an additional $1,898,800 for the maintenance of the Mission. The Committee has recommended that any additional requirement be reported in the performance report (A/59/734).

IV. Proposed budget for the period from 1 July 2005 to 30 June 2006

A. Mandate and planned results

11. Following the rejection of the comprehensive United Nations settlement plan by the Greek Cypriots in the referendum of 24 April 2004 and the accession of the Republic of Cyprus to the European Union on 1 May 2004, the Secretary-General appointed a team to carry out a review of the mandate, the force levels and concept of operations of UNFICYP (see S/2004/756). The representatives of the Secretary-General briefed the Advisory Committee on the current context and the main changes in the mandate, force levels and concept of operations resulting from this review.

12. Since the referendums, contacts between leaders of both sides have ceased and signs of distrust have reappeared. Numerous confidence-building initiatives have, however, been put forward and are in the process of being implemented, with UNFICYP as the sole political interface between the two sides. Given the climate of uncertainty on key political questions and the potential for friction on the island, the Mission's political and civilian role has increased in scope and has again become particularly important.

13. Concerning the military component, the Advisory Committee was informed that even though a recurrence of fighting on the island is extremely unlikely, the potential for minor, local violence and challenges to the ceasefire regime still exist. The UNFICYP military component still needs to carry out the whole range of tasks entrusted to it, with a greater emphasis on liaison, observation and mediation as well as demining related activities. The review team (see para. 11 above) has recommended that the military force evolve from a highly dispersed, patrol-based operation into one with a more concentrated presence, located in fewer sector camps but with increased mobility, and that a small observer and liaison group of up to 40 observers be constituted from existing military contingents as an integral part of the military operation. Combined with a rationalization of the infrastructure, command and control, this new concept of operations, referred to by the Secretary-General as "concentration with mobility", allows an overall reduction of the military force by one third, from a total of 1,230 to 860. In addition, the review team has suggested that some of the tasks performed by the military, such as police assistance and civil affairs responsibilities, may be carried out more efficiently by other components of the Mission.

14. The review team anticipates a heavier workload of the civilian police with respect to the monitoring of crossing points, partly as a consequence of the substantial increase in the number of illegal refugees crossing the buffer zone since the accession of Cyprus to the European Union. It recommends that the current ceiling for the civilian police component be maintained at 69, which is deemed sufficient to cover additional tasks for the time being, given the fact that the current deployment is 44.

15. Another review of UNFICYP will take place in mid-2005, aimed at proposing a further transformation of UNFICYP, including the possible further downsizing of the Mission, based on the experience gained with the new structure that is being implemented from March 2005, and taking into account new developments from that time.

16. The Advisory Committee commends UNFICYP for the improvements it has made to its results-based budgeting framework. It points out, however, that even more indicators of achievement, such as the facilitation of family reunions and inspections of contingent-owned equipment, can be quantified. The Committee reiterates the importance it attaches to the clear, factual presentation of the results attained, allowing an objective analysis of the progress and efforts made towards implementation of the expected accomplishments and their relationship to the resources mobilized. **The Committee encourages UNFICYP to pursue its efforts to provide more specific and quantitative indicators wherever possible, as well as additional details and remarks on the achievements realized.**

B. Resource requirements

17. The Advisory Committee notes an overall reduction of 6.1 per cent or $2,893,800, with a total cost estimate of $44,346,600 for 2005/06, down from $47,240,400 apportioned during the current period.

1. Military and police personnel

Category	*Approved 2004/05*[a]	*Proposed 2005/06*[a]
Military contingents		
Military[b]	1 178	822
Civil affairs[c]	12	12
Support functions[d]	40	26
Total military contingents	**1 230**	**860**
Civilian police		
Civilian police	69	62
Civil Affairs Branch[e]		7
Total civilian police	**69**	**69**

[a] Represents the highest level of authorized strength for the period.
[b] Including up to 40 military officers.
[c] Military officers dedicated to civil affairs functions.
[d] Military officers dedicated to support functions.
[e] Civilian police dedicated to civil affairs functions.

18. From the performance report for the 2003/04 period, the Advisory Committee notes that decreased costs of $119,500 (0.5 per cent of the apportionment) for military contingents were to some extent offset by increased costs of $90,900 (45.9 per cent) for civilian police, limiting the total savings to $28,600, or 0.1 per cent of the apportionment for the military and police personnel of UNFICYP.

19. For the 2005/06 period, an overall decrease of $5,523,300, or 23.4 per cent in comparison with the apportionment for the current period, is proposed under military and police personnel. This amount comprises a reduction of $6,046,400 (26.1 per cent) for military contingents resulting from the reduction of troop strength by one third, from 1,230 to 860 in 2005/06, and an increase of $523,100 (117.6 per cent) for civilian police. The variance under civilian police is attributable essentially to the increase of the daily mission subsistence allowance rate from $12 to $36 from 1 August 2004, which now includes food allowance, previously provided by the Mission.

2. Civilian personnel

Category	*Approved 2004/05*	*Proposed 2005/06*
International staff	46	42
National staff	109	113

20. An increase of $882,900, or 7.5 per cent ($735,800 for national and $147,100 for international staff) in comparison with the apportionment for the current period is proposed under civilian personnel for the 2005/06 period, using a vacancy factor of 5 per cent for international and 2 per cent for national staff. The variance under national staff is attributable mainly to additional provisions for salaries, common staff costs and staff assessment based on a revised salary scale in effect from 1 September 2004, combined with the proposed establishment of four new national posts. For international staff, savings under salaries and staff assessment from the elimination of four posts is largely offset by a steep increase in the estimates for common staff costs, which are based on the actual average expenditure by grade over the previous financial period and amount to 70 per cent of net salaries, representing an increase of over 30 per cent as compared to the current period.

Recommendations on posts

21. The Advisory Committee notes that in response to the request made in its previous report (A/58/759/Add.4), a detailed organizational chart of the proposed structure of the Mission, showing the overall staffing of each office, distinguishing new, converted and redeployed posts is included in the budget report. The proposed organizational and staffing structure of UNFICYP provides for the changes described in the paragraphs below.

22. Establishment of a new office of the Senior Adviser to be staffed with the following four posts:

(a) *Political Officer post (P-4) to be created under component 1, Political and civil affairs;*

(b) *Political Officer post (P-3) to be created under component 1, Political and civil affairs;*

(c) *Senior Adviser post, D-1, to be redeployed from the Office of the Special Representative of the Secretary-General;*

(d) *One General Service post, to be converted from Field Service.*

The establishment of this office is related to the greater political role of the Mission following the April 2004 referendums, and the increased emphasis on mediation, negotiation, political analysis and reporting. These functions were previously carried out by the Office of the Special Representative of the Secretary-General and the Civil Affairs Branch. The Advisory Committee had an in-depth discussion with the representatives of the Secretary-General on the role of this office and, in particular, the responsibilities and activities of the two new Political Officer posts proposed. **The Committee has no objection to the creation of the office of the Senior Adviser and the redeployments proposed. While it accepts the increasing importance of the political role of the Mission, the Committee is not convinced that the workload and activities envisaged for this office are sufficient to justify the establishment of the two proposed posts for political officers in addition to that of the Senior Adviser. Under the circumstances, the Committee recommends the creation of one post for a Political Officer at the P-4 level.**

23. Establishment of a new office of the Senior Police Adviser, to be staffed with the following with two posts:

(a) *One Senior Police Adviser at the P-5 level, to be created under component 3, Civilian police;*

(b) *One national General Service staff to be redeployed.*

During discussions with the representatives of the Secretary-General, the Advisory Committee was informed that at present these functions are performed by one of the civilian police officers provided by Governments. Apart from UNFICYP, all other missions which have a civilian police component are headed by a senior police adviser. The creation of this post would align UNFICYP with the standard practice of the Department of Peacekeeping Operations. **The Advisory Committee recommends acceptance of this proposal.**

24. Strengthening of the Civilian Affairs Branch by an increase of the following six posts:

(a) *One Senior Civil Affairs Officer at the P-5 level, to be created under component 1, Political and civil affairs;*

(b) *One Administrative Assistant at the Field Service level, to be redeployed from the support component;*

(c) *Four national staff (interpreters), to be transferred from the civilian police component.*

The Advisory Committee was informed that even though these interpreters had been assigned primarily to the civilian police component due to the increased movement activity in the buffer zone, they also provided services to other branches. **The Advisory Committee has no objection to these proposals and recommends approval of the post of Senior Civil Affairs Officer, at the P-5 level as Chief of the Civil Affairs Branch.**

25. The transfer of seven civilian police officers dedicated to civil affairs functions from the civilian police component to the political and civil affairs component is proposed. **The Advisory Committee has no objection to this proposal.**

26. The following adjustments are proposed under the support component:

(a) *Conversion of five Field Service posts to the national General Service category;*

(b) *Redeployment of one Field Service post to the Civil Affairs Branch;*

(c) *Abolition of three Field Service posts.*

With regard to the conversion of international posts to national posts and the handover of functions from international staff to national staff, the Advisory Committee has consistently emphasized the importance of strengthening the capacity and role of national staff in United Nations peacekeeping missions. Success in this regard can result in lower overhead costs without decreasing efficiency. The Committee welcomes these proposals and encourages UNFICYP to pursue its efforts in this area. It also requests UNFICYP to provide additional information when posts are converted or abolished in the future, including, for example, the responsibilities, knowledge and skills transferred to national staff, actions taken to achieve efficiency gains and rationalization of administrative tasks.

27. **With respect to the upcoming review and possible further downsizing of UNFICYP, the Advisory Committee urges the Mission to consider the realignment of the grade levels of senior posts to the reduced scope of the Mission, the level of responsibility and number of staff overseen including, in particular, the possible downgrading of the position of the Force commander from the D-2 to the D-1 level if the number of military personnel is further reduced. The Committee is of the opinion that such an adjustment could already have been contemplated during the latest restructuring of the Mission when the number of soldiers in the military contingents was reduced from 1,230 to 860.**

3. Operational costs

Apportioned 2004/05	*Proposed 2005/06*
$11 818 600	$13 565 290

28. The estimated operational requirements for the period from 1 July 2005 to 30 June 2006 represent an increase of $1,746,600 or 14.8 per cent, as compared with the apportionment for the current period. The main factors contributing to the variance are increased costs under ground transportation, maintenance supplies, materials and services procured locally, as well as repair and upgrading of facilities, offset in part by reductions under official travel and acquisition of equipment and facilities due to the reduced and more concentrated military force.

29. According to UNFICYP, the sharp increases on costs are largely due to the appreciation of the Cyprus pound against the United States dollar, as well as to inflation. However, given that the Cyprus pound appreciated by 15 per cent against the United States dollar over the two-year period from January 2003 to January 2005, the currency exchange rates do not fully account for the very sharp cost increases presented for certain items, in particular under ground transportation and services procured locally. **The Advisory Committee is concerned about whether the competitive bidding process is being properly observed and why the savings expected from the outsourcing of certain services have not materialized. On the contrary, the costs of some of these services have increased disproportionately.** For example, during the 2003/04 period, garbage collection and sewage disposal services contract increased by 42 per cent. From January 2004, expenditure related to catering services contracts increased by 16.7 per cent. Under ground transportation, the projected costs amount to $3,313,100, an increase of 65.4 per cent, or $1,310,100 over the apportionment of $2,003,000 for the current period, including, for example, an increase of $841,400 (85.9 per cent) in the contract for the rental of vehicles owing to the increase in rental rates in effect from 1 July 2005.

30. **The Advisory Committee requests UNFICYP to review its outsourcing and procurement practices and to ensure that the Mission's resources are used in the most cost-effective manner possible.**

Inventory management

31. In its report on the proposed budget for the period from 1 July 2004 to 30 June 2005 (A/58/759/Add.2), the Advisory Committee recommended that priority action should be taken to improve inventory management at the Mission. The Committee

was informed that a process for reconciling the record of assets in the Galileo inventory management system with the physical inventory was initiated in April 2004, with self-accounting units set up and designated as focal points for property control and monitoring of United Nations property. The whereabouts of unaccounted for items is routinely investigated by the administration and write-off action is initiated for any unaccounted for items. The units also ensure that any United Nations-owned equipment procured or transferred from other missions is properly recorded. **The Advisory Committee trusts that procedures for assigning responsibility for proper inventory management will be strictly enforced.**

32. Concerning the disposal process of written-off items, the Advisory Committee was informed that the Mission conducts two auctions per year, which are advertised in local newspapers. As at 31 December 2004 three outstaading written-off items remained to be auctioned.

V. New accommodations for troops

33. The Advisory Committee was informed that an independent engineering survey commissioned by UNFICYP in late 2004 had determined that facilities for the accommodation of troops at Camp San Martin (Sector 1 headquarters) and the Ledra Palace Hotel were structurally unsafe and that their continued occupation constituted an unacceptable safety risk. Given the prohibitive cost of refurbishing these facilities ($20.2 million), UNFICYP proposes the relocation of the troops to new, containerized facilities at a total cost of $3,762,200, of which $709,500 would be required during the 2004/05 financial period for the engagement of engineering consultancy services and site preparation, including electrical, water and sewage projects. The balance of the estimated total cost of the project, representing $3,052,700, which would be required for the acquisition of the prefabricated facilities during 2005/06, has been submitted as an addendum to the proposed budget (see A/59/656/Add.1).

34. At present, accommodations for troops are provided by the Government of Cyprus. The Advisory Committee understands there have been further discussions on the relocation of troops and that UNFICYP has yet to receive a formal reply from the Government. The Committee will revert to this matter once the decision of the Government of Cyprus is known.

VI. Conclusion

35. The action to be taken by the General Assembly in connection with the financing of UNFICYP for the period from 1 July 2003 to 30 June 2004 is indicated in paragraph 22 of the performance report (A/59/620). **The Advisory Committee recommends that the additional amount of $1,665,400 for the maintenance of the Force with respect to the period from 1 July 2003 to 30 June 2004 be appropriated and assessed on Member States and that the income/adjustments in the amount of $1,353,900, be credited to Member States in a manner to be determined by the Assembly.**

36. The action to be taken by the General Assembly in connection with the financing of UNFICYP for the period from 1 July 2005 to 30 June 2006 is indicated

in paragraph 25 of the proposed budget (A/59/656). **Taking into account its recommendations in paragraph 27 above, the Advisory Committee recommends that the estimated budget requirements of $44,346,600 be reduced by $152,600. Accordingly, the Committee recommends that the General Assembly appropriate an amount of $44,194,000 gross ($42,081,900 net) for the maintenance of UNFICYP for the 12-month period from 1 July 2005 to 30 June 2006, including $20,527,300 net to be funded through voluntary contributions from the Government of Cyprus ($14,027,300) and the Government of Greece ($6.5 million).**

Documentation

- Performance report on the budget of the United Nations Peacekeeping Force in Cyprus for the period from 1 July 2003 to 30 June 2004 (A/59/620)
- Financing arrangements for the United Nations Peacekeeping Force in Cyprus for the period from 1 July 2004 to 30 June 2005 (A/59/718)
- Report of the Advisory Committee on Administrative and Budgetary Questions on financing arrangements for the United Nations Peacekeeping Force in Cyprus for the period from 1 July 2004 to 30 June 2005 (A/59/734)
- Proposed budget for the United Nations Peacekeeping Force in Cyprus for the period from 1 July 2005 to 30 June 2006 (A/59/656 and Add.1)
- Report of the Advisory Committee on Administrative and Budgetary Questions on the financial performance for the period from 1 July 2002 to 30 June 2003 and proposed budget for the period from 1 July 2004 to 30 June 2005 of the United Nations Peacekeeping Force in Cyprus (A/58/759/Add.4)
- General Assembly resolution 58/301 on the financing of the United Nations Peacekeeping Force in Cyprus
- Progress report of the Secretary-General on the United Nations operation in Cyprus (S/2004/756)
- Security Council resolutions 186 (1964) and 1568 (2004)

Annex

Letter dated 30 March 2004 addressed to the Chairman of the Advisory Committee on Administrative and Budgetary Questions from the United Nations Controller

You will recall that in my letter dated 19 August 2003 I informed the Advisory Committee that it was expected that additional requirements (estimated at the time at $783,100) arising from Security Council decision in its resolution 1486 (2003) of 11 June 2003 to increase the UNFICYP civilian police component by no more than 34 officers could be absorbed within the appropriation for the 2003/04 period approved for the Mission by the General Assembly in its resolution 57/332 ($43,798,800). I also indicated that should additional resources be required, funds would be sought from the General Assembly in the context of the Force's budget performance report for the 2003/04 financial period.

Owing to the consecutive implementation in UNFICYP of higher post adjustment multipliers in effect from July, September and December 2003, continuing depreciation of the United States dollar versus the Cyprus pound, as well as to the deployment of additional civilian police officers, the Mission currently projects additional requirements for the 2003/04 period in the amount of $1.6 million.

As indicated in the attached schedule and supplementary information, the amount of $1.6 million represents net additional requirements, which reflect economizing measures implemented by the Mission consisting of the deferral of the acquisition of some communications and information technology equipment to the 2004/05 period, projected saving related to the purchase of observation devices and uniforms and limitations on official travel.

The Mission's projected overexpenditure will be reported in the context of its 2003-2004 budget performance report at which time an additional appropriation will be sought from the General Assembly.

(*Signed*) Jean-Pierre **Halbwachs**
Assistant Secretary-General, Controller